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Italy

Wine Report

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Report Highlights:

Italy is one of the world's major wine producers. Opportunities exist for the sale of quality US wine.

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SUMMARY

Italy is the world's leading exporter in terms of volume and second leading exporter in terms of value behind France. Some years it is just the opposite.

Alcohol consumption in Italy is declining. Per capita wine consumption is decreasing while beer consumption is increasing.

Most Italian wine is consumed as table wine. It is often purchased directly from the wine producer in 5 to 250 and even 500 liter jugs. Nevertheless, there is a large market segment that demands quality wine and the Italians produce wine for these consumers as well.

Italy’s wines are mixtures or definitive specializations that have developed over the centuries from their own varieties and from French varieties. Most high quality Italian varieties are relatively unknown in the United States. Everyone has their own favorite varieties whether Brunello, Barolo, Barbera or Chianti. (OK, they are all red wines, that’s my preference. I don’t know many of the white wines!)

Given the competition from New World wine producers (Argentina, Chile and the United States) Italian producers have responded by introducing their own newer Cabernet and Chardonnay varieties. Italy now has approximately 5,000 hectares devoted to Chardonnay, the majority is found in Northern regions. They have also begun producing a type of Zinfandel, but there are apparently issues with US producers regarding proper labeling.

CONSUMPTION AND THE WINE MARKET

In 1999, Italian wine sales estimated at around 6 billion dollars. In Italy, as in most of the rest of the world, women prefer white wine and men prefer red. Red and white wine each have about 50 per cent of the market.

While per capita wine consumption declines, overall total wine consumption has remained relatively stagnet. The sale of table wines is slowly decreasing while the more expensive quality wines are increasing. Quality wine sales (wine in a bottle with a label, denoting year of production, vitner, etc.) is expected to soon reach 20%. OK, let’s put it another way, over 80% of Italian wine sales is of the bulk variety. Most restaurants have house wine available poured into a carafe from a big jug in back.

Surprisingly, the sale of bulk wine in one liter tetra brik packages has been increasing at the expense of bottles. However, when your interest is in drinking wine, and not necessarily of a particular quality, tetra-brik or cardboard boxed wine is particularly convenient for picnics, watching a soccer game or just hanging around the park. Plus, you don’t have to worry about tossing the bottle somewhere.

Young Italians drink more soft drinks, mineral water, and beer than wine. Some claim that the wine consumption reduction is the result of anti-alcohol campaigns, high wine prices, the taste of wine, and the general stigma of wine being associated with Zio Beppe and Nonno stretching their wine at lunch through a siesta and into dinner. This aversion to wine drinking by the young is especially strong in northern Italy where employment opportunities are greater and thus there are fewer opportunities for long lunches and beginning dinner early. The long-term outlook for bulk wine consumption is unfavorable. Nevertheless quality wine sales will continue to increase. In addition, as the tourists continue to expand in number there is a direct relation to increased sales of wine and for exports, too.

PRODUCTION

The Italian wine industry consists of approximately 275,000 producers. The majority of these producers are small wine-making businesses, often selling wine in bulk or bottle from their own farmgate.

Italy has a planted vineyard area of some 830,000 hectares, as compared with 1 million hectares in 1992 and 1.2 million hectares in 1980. Basically, a general revolution has occurred in the wine industry as small inefficient family or recreational wine producers are being bought out by larger, or more industrious businessmen with a profit motive. The business orientated owners see sales opportunities in producing for the domestic market, and especially for export, high quality wine.

Italy was the world's leading producer of wine in 1998, but a strong French crop in 1999 placed Italy to second position in terms of volume. These two countries compete for largest wine producer each year.

Production is spread throughout the entire country. Half of production is white wines with the remainder accounted for by red/rose wines. The Piedmont, Lombardy and Tuscany regions are known for their red wines. While white wine predominates in the Veneto, Marche, Lazio and Sicily.

IMPORTS

Italy has among the lowest penetration levels of imported wine in the world. Champagne accounts for a large proportion of wine imports. Three-fourths of imports are from France.

US WINE EXPORTS TO ITALY?

There are opportunities for US wine exporters that take the time to develop the market. Many want to show a profit after a year or two. This is practically impossible in today’s Italy. In the past three years I have seen 8 or 9 US wine representatives appear and disappear after about one year. Any US company selling wine to Italy must keep the following in mind:

1. Work with a reliable Italian distributor, and/or expect your US distributor to be on the ground

for a year or two before you start seeing many results. Some distributors are known for representing ninety-twelve US wineries but their emphasis is on selling their own wines. Italian businessmen want to see you a few times probably before they are willing to commit to business with you. Most Italian businessmen know of American companies who contact Italian importers, wining and dining them, pronouncing the great business relationships they will develop and then never being seen nor heard from again because they went out of business or found a more interesting business partner in another country. So you may understand the Italian's reluctance to slap you on the back and start conducting business immediately. They are going to wait to see if you and your company have the determination to stick it out in their market. The Italian market and its intricacies are confusing and illogical to us. It is a very steep learning curve for foreigners. Italian business persons already know how things are done.

2. Realize what your market competition is: bulk wine, and high quality Italian, French, Chilean and other origin wine. One US company has nailed this market quicker than any other I have seen. They are supplying US wine for the Italian middle classes at $5 to $8 per liter through supermarket sales. This is pulling wine sales away from bulk wines because everyone has heard about high quality US wine, and this marketing strategy permits everyone to get into the act without extravagant expenses. ("Hey Gianni! Come over for dinner. I got an American wine I want you to try." No body turns that offer down!) Then this company has also placed their high quality, higher priced wines in the wine shops for competition with the other higher priced wines. This didn't happen overnight. I suspect that 18 months to two years have passed since the company first came into the market after studying it for years. They have developed a name and reputation for their wine and their continued success in this market is fully expected.

EXPORTS

Italian wine exports will continue to increase as producers search for the more lucrative foreign markets. Italy has a quality denomination for their wine, DOC/DOCG wines, and in value terms these make up most of the exports, while in volume terms they may only account for one-third of exports.

The European Union is the main export destination for Italian wine. Germany is the number one EU market taking around 5.5 hectoliters for nearly $700 million. Note: while Germany imports Italian wines, Germany is the main source of Italian beer imports. (Please see IT0703 Italy's Beer Market.)

The USA market is where most producers want to export their wine. While there continues to be a loyal Italian-American consumer base for Italian wines, the prospects for Italian wines with respect to the overall population are less positive given increased competition from US wines, asa well as from Argentina and Chile. Some Italian producers have responded by developing high quality wine varieties especially the United States.